


Introduction to Lender Compliance

National Flood Insurance Program

1



Introduction to Lender Compliance

Seminar Resources

National Flood Insurance Program Home page:

- www.fema.gov/business/nfip
- Go to Audience: Lenders

Mandatory Purchase of Flood Insurance Guidelines

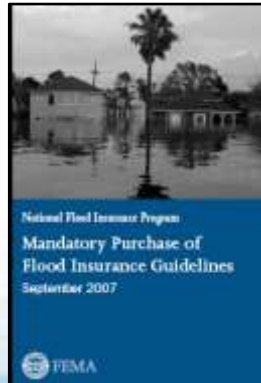
- <http://www.fema.gov/library/viewRecord.do?id=2954>

2



Introduction to Lender Compliance

Mandatory Purchase of Flood Insurance Guidelines



- A. Introduction
- B. Coverage Availability
- C. General Mandatory Purchase Provisions
- D. Condos, Coops & Timeshares
- E. Key Provisions
 - Appendices 1-12

3




Introduction to Lender Compliance


Mandatory Purchase of Flood Insurance Guidelines

- Appendix 1 - Legal References
- Appendix 2 - FDIC Regulation
- Appendix 3 – Standard Flood Hazard Determination Form
- Appendix 4 – Notice Requirements
- Appendix 5 – Flood Insurance Resources
- Appendix 6 - 30-Day Waiting Period
- Appendix 7 – MPPP Guidelines and Requirements
- Glossary & Index.

4


Introduction to Lender Compliance


P.1



Section A

Introduction


5


Introduction to Lender Compliance

P.1-5

NFIP Legislation

- National Flood Insurance Act of 1968
- Flood Disaster Protection Act of 1973
- National Flood Insurance Reform Act of 1994
- Flood Insurance Reform Act of 2004



6



Introduction to Lender Compliance

What is a 'designated loan'?

P.4



Designated Loan:

- A loan secured by a building or mobile home that is located or to be located in a "special flood hazard area" in which flood insurance is available under the Act.

Please note: Emphasis on a "building or mobile home" as collateral.

7



Introduction to Lender Compliance

Mandatory Purchase Tripwires

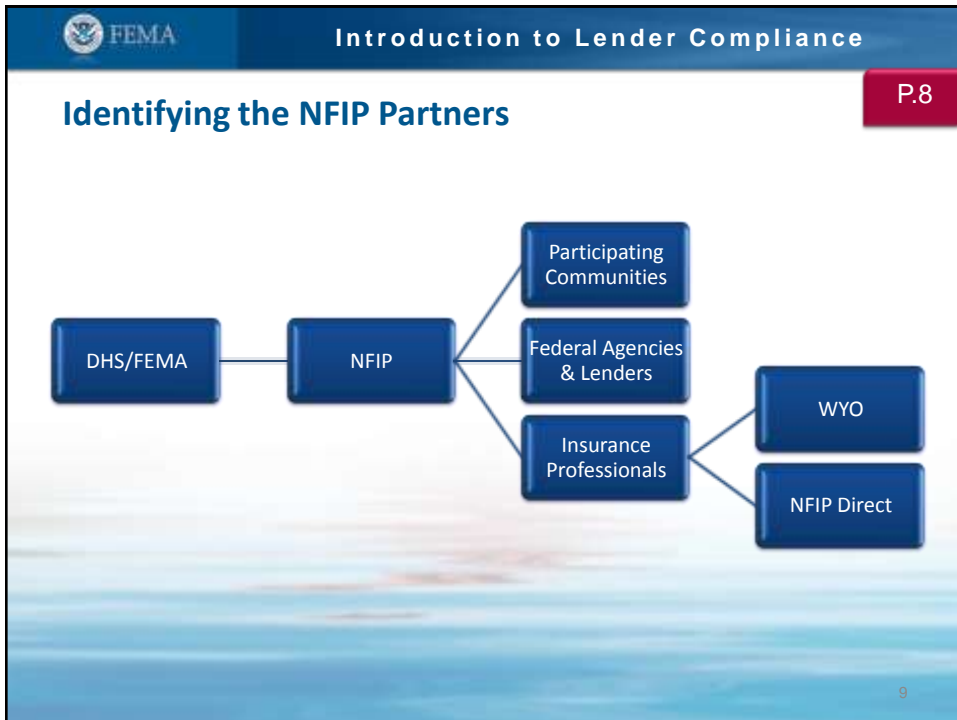
P.4




M-I-R-E


- **M**aking
- **I**ncreasing
- **R**enewing
- **E**xtending

8



 **Introduction to Lender Compliance**

Search:
'Write Your Own'
www.fema.gov



10



What Lender Does

- Determines if structure in high-risk zone (SFHA)
- Documents determination on standard form - SFHDF
- If in SFHA, notifies borrower that flood insurance is required
- If in SFHA, requires adequate flood insurance is obtained
- Requires escrow of flood insurance premiums, as required
- During term of loan, ensures flood insurance coverage is maintained.
- Force places flood insurance as appropriate

13



Section B

Coverage Availability

14



Participating Communities

- FEMA agrees to make flood insurance available within a community when that community agrees to adopt and enforce floodplain management regulations.



15



Community Status Books/Lists

- Community Number
- Date of Entry into NFIP
- Regular vs. Emergency Program
- Date of Current Map
 - NSFHA = No Special Flood Hazard Areas
- How to Obtain:
 - <http://www.fema.gov/fema/csb.shtm>
 - Contact FEMA Map Information Exchange@
877-336-2627 (877- FEMA MAP)

16

FEMA Introduction to Lender Compliance



www.fema.gov

17

FEMA Introduction to Lender Compliance

FEMA Home Page

www.fema.gov



What are you looking for?

- [State & Local government resources](#)
Find information on preparedness, response, recovery, and mitigation.
- [Regional Offices](#)
Learn about support for states, commonwealths, territories, tribal nations and more...
- [Kids Site](#)
Play games, help prepare your family for emergencies, and other fun stuff.
- [Business Resources](#)
Get recovery and planning information, learn about public private partnerships, and more...
- [Information for People with Disabilities](#)
Find guidance on preparing for emergencies and planning ahead.
- [Get involved in Your Community](#)
Learn about Citizen Corps programs.

Emergency Personnel Resources

- [NIMS resource center](#)
- [NRF resource centers](#)
- [Training](#)
- [All resources](#)

Flood Information

- [Flood Insurance](#)
- [Flood Maps](#)
- [All Flood Information](#)

Resources

- [Forms and Publications](#)
- [Grants](#)
- [Careers](#)
- [Policies](#)

Disaster Reserve Workforce
Information for FEMA reservists.

Louisiana Recovery Office
Read about the recovery efforts.

18

Introduction to Lender Compliance

Resources

Community Status Book

Flood Publications

[Claims Handbook](#), [Coastal Barrier Resource System](#), [Community Status Book](#), [FHM Guidance Documents](#), [Flood Insurance \(NFIP\) Manual](#), [Floodplain Management](#), [NFIP Legislation and Regulations](#), [Standard Flood Insurance Policies](#), [Summary of Coverage \(English and Spanish\)](#), [Technical Bulletins](#), [Watermark](#)

Flood Maps, Insurance, and information

Floods are one of the most common hazards in the United States. Flood effects can be local, impacting a neighborhood or community, or very large, affecting entire river basins and multiple states.

Recommended FEMA Web Pages and Sites:

General Flood Information - Learn about flood events, how to prepare for a flood, and what to do during a flood to stay safe.

Flood Insurance (FloodInsurance.gov) - Floods are the most common hazard in the U.S., and most homeowners' insurance doesn't cover flood damage. Everyone is at risk of flooding. Buy flood insurance.

Map Service Center (MSC) - View Flood Insurance Rate Maps (FIRMs) free online. FIRMs, as well as Letters of Map Amendment (LOMAs), can also be purchased and downloaded.

Flood Hazard Mapping (FHM) - Find forms, documents, software, tutorials, and more data associated with the location and modification of FIRMs.

Flood Information for the Public and Local Officials

19

Introduction to Lender Compliance

Resources

Community Status Book

The National Flood Insurance Program Community Status Book

Please select the state, territory or nation to see the report. These documents are now provided in Adobe PDF, comma separated values (CSV) text file, and HTML formats.

Alaska	FIR 1700	CSV 2300			
Alabama	FIR 3900	CSV 4000	Indiana	FIR 3300	CSV 4400
Alaska	FIR 700	CSV 900	Iowa	FIR 3400	CSV 3500
American Samoa	FIR 340	CSV 240	New Hampshire	FIR 1800	CSV 1300
Arizona	FIR 1700	CSV 1800	New Jersey	FIR 4300	CSV 1900
Arkansas	FIR 3900	CSV 4700	New Mexico	FIR 1900	CSV 1900
California	FIR 4300	CSV 1000	New York	FIR 1000	CSV 1000
Colorado	FIR 3300	CSV 3400	North Carolina	FIR 4300	CSV 5200
Connecticut	FIR 1900	CSV 1900	North Dakota	FIR 3700	CSV 1900
Delaware	FIR 700	CSV 900	Northern Mariana Islands	FIR 340	CSV 300
District of Columbia	FIR 200	CSV 200	Ohio	FIR 4400	CSV 4400
Florida	FIR 4300	CSV 4400	Oklahoma	FIR 1700	CSV 4400
Georgia	FIR 4300	CSV 5200	Oregon	FIR 1700	CSV 2400
Hawaii	FIR 240	CSV 240	Pennsylvania	FIR 1700	CSV 2000
Idaho	FIR 300	CSV 600	Puerto Rico	FIR 300	CSV 300



Introduction to Lender Compliance

Community Status List

P.10

Federal Emergency Management Agency Community Status Book Report TEXAS

Communities Participating in the National Flood Program

CID	Community Name	County	Init FHBM Identified	Init FIRM Identified	Curr Eff Map Date	Reg-Emer Date	Tribal
480584#	AZLE, CITY OF	TARRANT COUNTY	03/08/74	10/15/85	09/26/08	10/15/85	No
481205	BAILEY COUNTY *	BAILEY COUNTY			01/01/80	03/06/01(E)	No
480805	BAILEY, CITY OF	PANNIN COUNTY	11/05/76	07/01/92	07/01/92(L)	07/01/92	No
480065#	BAILEYS PRAIRIE, VILLAGE OF	BRAZORIA COUNTY	11/08/74	12/15/83	09/22/99	12/15/83	No
480722	BAIRD, TOWN OF	CALLAHAN COUNTY	06/11/76	04/01/87	04/01/87(L)	04/01/87	No
480166#	BALCH SPRINGS, CITY OF	DALLAS COUNTY	03/08/74	09/03/80	06/18/05	09/03/80	No
481094#	BALCONES HEIGHTS, CITY OF	BEKAR COUNTY	08/15/75	04/15/80	06/18/07	04/15/80	No
480549#	BALLINGER, CITY OF	RUNNELS COUNTY	06/28/74	02/16/90	02/16/90	02/16/90	No
480537#	BALMORHEA, CITY OF	REEVES COUNTY	06/28/74	09/16/88	09/16/88	11/01/85	No
480020#	BANDERA COUNTY *	BANDERA COUNTY	06/18/76	11/01/78	02/15/91	11/01/78	No
480021#	BANDERA, CITY OF	BANDERA COUNTY	04/12/74	07/17/89	07/17/89	12/01/77	No
480718	BANGS, TOWN OF	BROWN COUNTY	08/06/76	06/19/85	06/19/85(M)	06/19/85	No
481087#	BARDWELL, CITY OF	ELLIS COUNTY	07/30/76	03/01/91	01/05/06	03/01/91	No

21



Introduction to Lender Compliance

SFHAs and Non-SFHAs

P.10

SFHAs (High Risk)

- AE (replaces A1-A30)
- A, AH, AO, A99, AR
- VE (replaces V1-V30)
- V, VO

Non-SFHAs (Low to Moderate)

- B, C, X



22



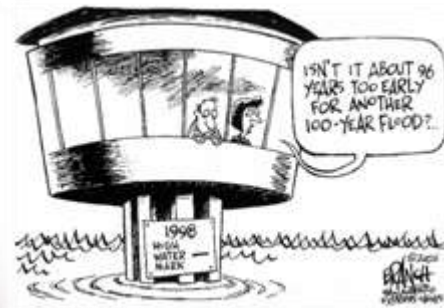
Introduction to Lender Compliance

P.10

Base Flood

"100-Year Flood Plain"

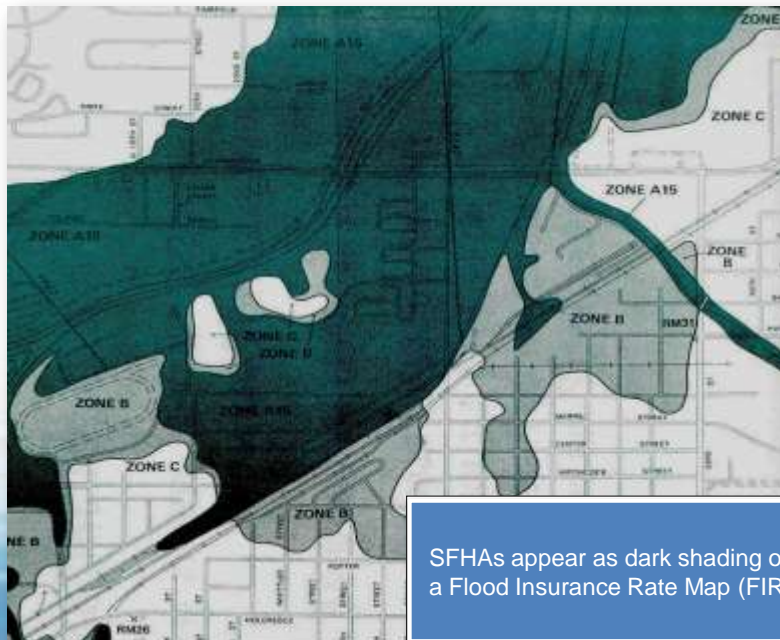
- "...1-percent chance of being flooded in any given year (base flood)."
- Over a 30 year period, there is at least a 26% of a building in SFHA will flood



23



Introduction to Lender Compliance



24



Introduction to Lender Compliance



25



Introduction to Lender Compliance

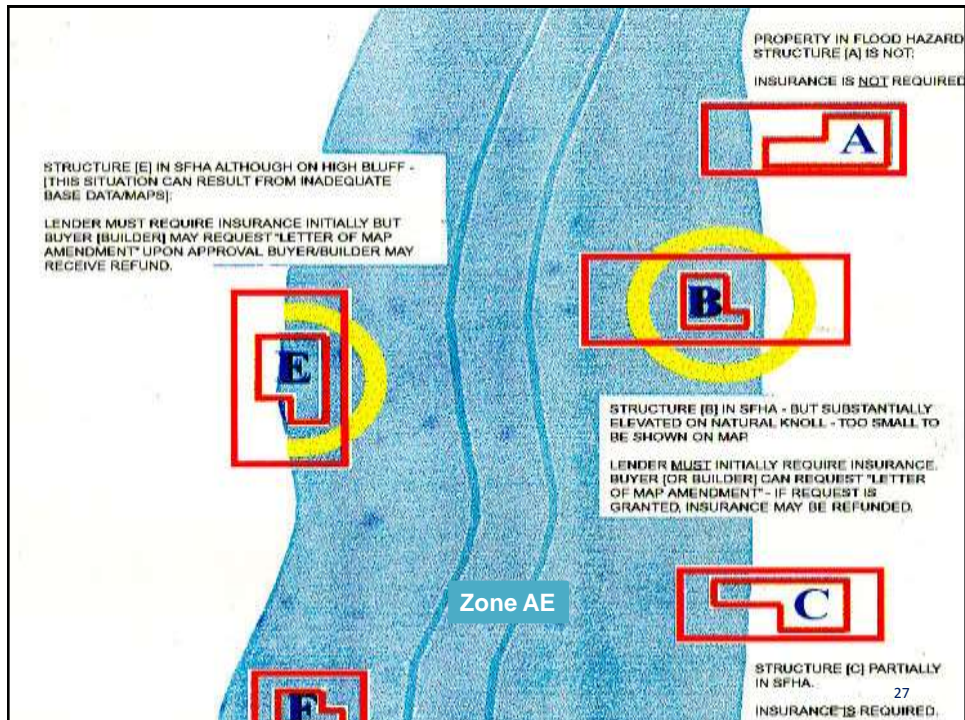
Significance of the building location

P.11

- Improved Real property
- Partially in a SFHA
- Includes decks, etc.



26



FEMA

Introduction to Lender Compliance

Online Flood Insurance Rate Maps

FEMA Map Service Center

www.msc.fema.gov

28

FEMA Introduction to Lender Compliance

FEMA Map Service Center

www.msc.fema.gov

What are you looking for?

- [State & Local government resources](#)
Find information on preparedness, response, recovery, and mitigation.
- [Regional Offices](#)
Learn about support for states, commonwealths, territories, tribal nations and more...
- [Kids Site](#)
Play games, help prepare your family for emergencies, and other fun stuff.
- [Business Resources](#)
Get recovery and planning information, learn about public private partnerships, and more...
- [Information for People with Disabilities](#)
Find guidance on preparing for emergencies and planning ahead.
- [Get involved in Your Community](#)
Learn about Citizen Corps programs.
- Emergency Personnel Resources**
 - [NIMS resource center](#)
 - [NRF resource centers](#)
 - [Training](#)
 - [All resources](#)
- Flood Information**
 - [Flood Insurance](#)
 - [Flood Maps](#)
 - [All Flood Information](#)
- Resources**
 - [Forms and Publications](#)
 - [Grants](#)
 - [Careers](#)
 - [Policies](#)
- [Disaster Reserve Workforce](#)
Information for FEMA reservists.
- [Louisiana Recovery Office](#)
Read about the recovery efforts.

FEMA Map Service Center -- Microsoft Internet Explorer

File Edit View Favorites Tools Help

Address: <http://www.fema.gov/webapp/wvz/stores/servelet/FemaWebAppView.html?storeId=30001&catalogId=30001&langId=1>

Product Catalog | Map Search | Quick Order | Digital Post Office | Help

Product Search by...

Address **Map Panel ID**

1) Select a Product:
Public Flood Map

2) Enter an Address:
Street: 1232 Thacker Court
City: Naperville
State: IL Zip:
Search by Street Address

Map Service Center?

- [Termination Agents](#)
- [Forms](#)
- [Forms & Forms](#)
- [What map for my area?](#)
- [Flood Zone Designations](#)
- [Flood Zone Letter of Map](#)
- [Flood Zone](#)

Log On

User ID (email address):
Password:
Login **Clear**

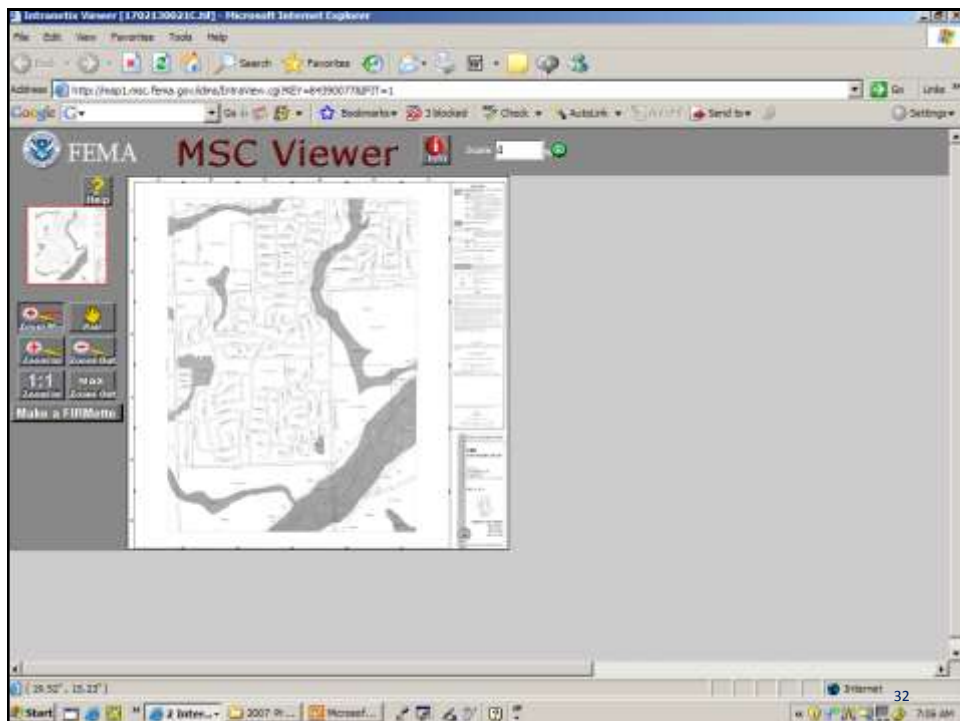
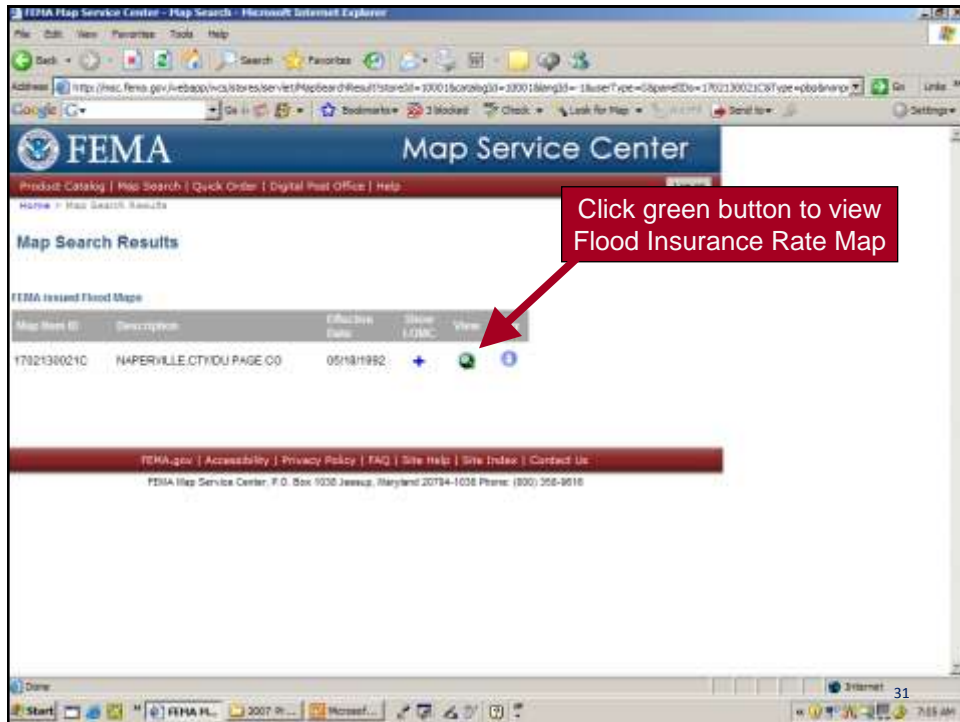
[Forgot Password?](#)
[Register](#)
[Why register?](#)

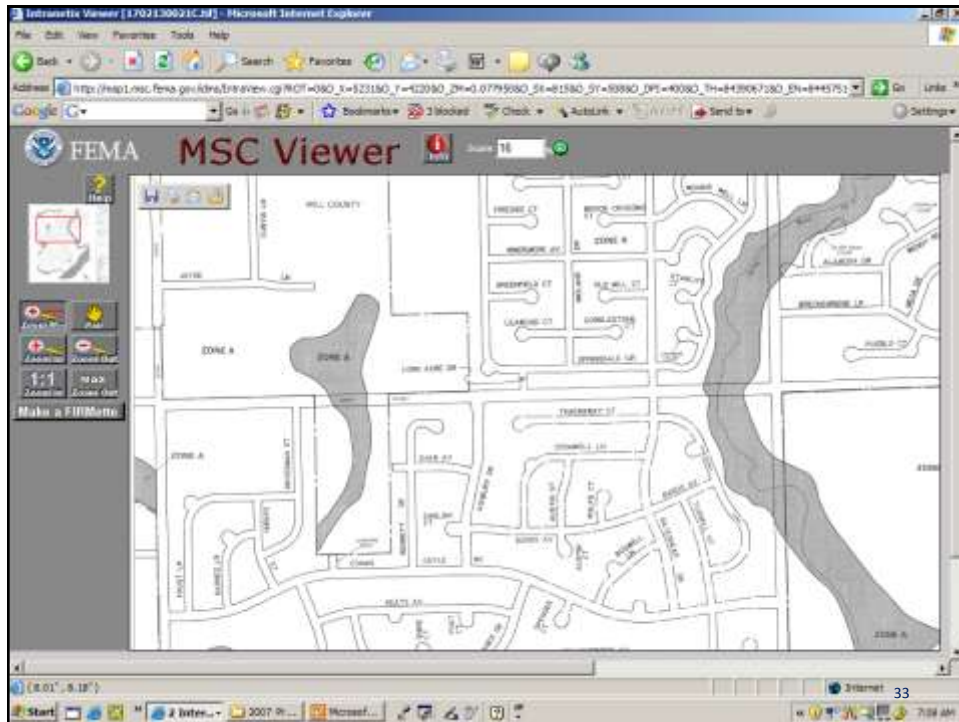
FIRette Tutorial

Learn how to create FIRettes. They're free!
[Click here to learn how to create a FIRette.](#)

City of Sacramento, Sacramento County, California

Internet 30





Introduction to Lender Compliance

P.12

Effects of Grandfathering zone determinations

- May provide legitimate reason of zone discrepancies on policy declarations page
- Allows premium benefits after map zone changes or compliance standard changes
- Document Reconciliation

34



Introduction to Lender Compliance

Map Grandfather Rule

- Allows a property owner to:
 1. "Lock" in a previous flood zone
 2. "Lock" in a previous Base Flood Elevation



35



Introduction to Lender Compliance

Grandfather Indicator as of 10/01/2009

FLOOD POLICY DECLARATIONS		
		How Policy
		TYPE: GENERAL
POLICY PERIOD: 1/16/2010 to 1/16/2011		
These Declarations are effective as of: 1/16/2010 at 12:01 AM		
PRODUCER: 07535-00100-329-		
INSURED NAME & ADDRESS		
POLICY INFORMATION Grandfathered: NO		
PREMIUM PAYOR: Insured	COMMUNITY NAME	COMMUNITY NUMBER
INSURED PROPERTY ADDRESS	ELIMINATE, REDUCE OR	POLICY TERM: One Year
BUILDING DESCRIPTION	Coverage Limitations May Apply. Refer to your Standard Flood Insurance Policy for details.	CONTENTS LOCATION
Non-Residential Three or More Floors Slab On Grade		lowest floor only above ground level
PROGRAM	FLOOD ZONE	CONSTRUCTION
Regular	1	Post-Fire Construction
COVERAGE & RATING INFORMATION	CONTENTS	PREMIUM PAID
BUILDING		



Introduction to Lender Compliance

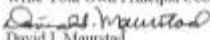


FEMA

W-08021

April 16, 2008

MEMORANDUM TO: Write Your Own Principal Coordinators and the NFIP Servicing Agent

FROM: 
David L. Maurstad
Federal Insurance Administrator
National Flood Insurance Program

SUBJECT: Procedures Relating to Flood Zone Discrepancies

The Federal regulatory agencies supervising federally regulated lending institutions must require their lenders to take certain actions to ensure buildings in high-risk areas known as Special Flood Hazard Areas (SFHAs), the areas subject to inundation by the base (1-percent-annual-chance) flood,

37



Introduction to Lender Compliance

Procedures Relating to Flood Zone Discrepancies
April 16, 2008
Page 2

Effective May 1, 2008, WYO companies and the NFIP Servicing Agent are hereby directed to use the most hazardous flood zone for rating when presented with two different flood zones, unless the building qualifies for the "grandfathering rule." If the policyholder wants to dispute the high-risk flood zone determination, procedures are available, including the Letter of Determination Review (LODR) and the Letter of Map Amendment. These are cited in the Code of Federal Regulations, (CFR) at 44 CFR 65.17, Review of Determination. More detailed information concerning the LODR process is available from the FEMA website
<http://www.fema.gov/plans/prevent-floods/plan-discrepancies/words-how.shtml>

Information about additional options available to a property owner to appeal the lender's flood zone determination is available from the FEMA websites
<http://www.fema.gov/plans/prevent-floods/plan-discrepancies/words-how.shtml> and
<http://www.fema.gov/plans/prevent-floods/plan-discrepancies/words-how.shtml>

The attached document entitled "Options Available to a Borrower for Appealing a Lender's

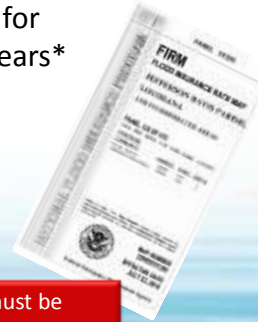
38



Introduction to Lender Compliance

PRP Eligibility Extension Summary

- Developed to address the financial burden of mandatory purchase requirements on policy holders in newly mapped areas
- Buildings newly designated within the SFHA due to a map revision on or after October 1, 2008, are eligible for coverage under the PRP for a period of up to 2 years* after the later of the two following dates:
 - The effective date of the map revision, or
 - January 1, 2011
- Loss history requirements must be met



*After 2 year extension the policy must be written as standard-rated policy.

39



Introduction to Lender Compliance

PRP Eligibility Extension Summary (cont'd)

- Insurance Carrier, **not lender**, validates PRP extension eligibility
- Effective 10/1/2010, NFIP declarations pages will display two flood zones:
 - **Current Flood Zone** - flood zone of property on current (revised) Flood Insurance Rate Map (FIRM)
 - **Flood Risk/Rated Zone**: flood zone from the previous map used to rate policy
- Lenders are not required to investigate or resolve differences between Current Flood Zone and Flood Risk/Rated Zone

40



Introduction to Lender Compliance

Rated Zone/Current Zone

[illegible]

41



Introduction to Lender Compliance

Letters of Map Change

P.14





Introduction to Lender Compliance

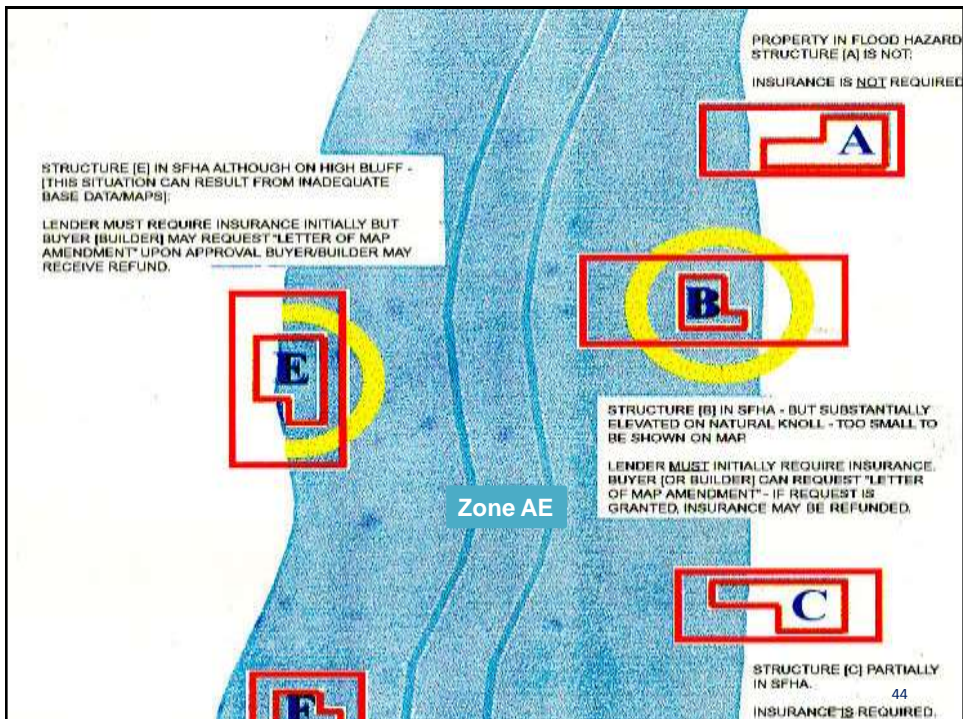
P.14


Letter of Determination Review

- A lender and borrower may jointly request that FEMA review a determination where there is disagreement.
 - 45 day window to request.
 - Cost equals \$80.
 - Process differs from LOMA/LOMR.
- Flood insurance would not be required at closing if FEMA does not respond within 45 days.
- When FEMA does respond and, if FEMA determines structure to be in a SFHA, insurance will be required.

www.fema.gov/business/nfip/lomri.shtm

43




 **Introduction to Lender Compliance**

Map Amendments/Revisions P.17

- Letter of Map Amendment - LOMA
 - Single structure, single lot
 - Naturally high ground
- Letter of Map Revision - LOMR
 - Multiple Structures/Lots
 - Based on Fill
- LOMA "Out as Shown"

www.fema.gov/plan/prevent/fhm/dl_mt-ez.shtm

45

 **Introduction to Lender Compliance**

Community Participation P.19

<u>Participation</u>	vs.	<u>Non-Participation</u>
<ul style="list-style-type: none"> • Insurance available • Federal backed loans available • Disaster Assistance available 		<ul style="list-style-type: none"> • Insurance not available • Conventional loans only in SFHAs • Disaster Assistance limitations

46



Introduction to Lender Compliance

P.20

Insurable Property



- Walled and Roofed
- Permanent Site
- Principally Above Ground
- Manufactured Homes/Travel Trailers

47



Introduction to Lender Compliance

P.23



Section C

Mandatory Purchase Provisions

48



Introduction to Lender Compliance

P.23

Entities Encompassed by the Act

- Federally Regulated Lenders
- Government-Sponsored Enterprises
- Federal Agency Lenders



49



Introduction to Lender Compliance

Federal Entities for Lending Regulation/ Government Sponsored Enterprises

- Office of the Comptroller of the Currency (OCC)
- Federal Deposit Insurance Corporation (FDIC)
- Federal Reserve Board
- National Credit Union Administration (NCUA)
- Farm Credit Administration (FCA)
- Fannie Mae (FNMA)
- Freddie Mac (FHLMC)



50



Introduction to Lender Compliance

P.23

NFIP Limits Available

	Emergency Program	Regular Program
Residential (1-4 Family)		
Building	\$35,000	\$250,000
Contents	\$10,000	\$100,000
Other Residential		
Building	\$100,000	\$250,000
Non-Residential		
Building	\$100,000	\$500,000
Contents	\$100,000	\$500,000

51



Introduction to Lender Compliance

P.26

What is acceptable proof of coverage?

- Copy of flood insurance application AND premium payment
- OR
- Copy of the declarations page

NOTE: The NFIP does not recognize binders. However, it does recognize certificates of property insurance or evidence of insurance forms provided for renewal policies that meet specific criteria.



52



Introduction to Lender Compliance

Certificates of Property Insurance/ Evidence of Insurance Forms

• **Acceptable for renewals if they include:**

- Policy Form/Type (GP, DP, RCBAP, PRP)
- Policy Term
- Policy Number
- Insured's Name and Mailing Address
- Property Location
- Flood Risk Zone
- Grandfathered Y/N
- Mortgagee Name and Address
- Coverage Limits, Deductibles
- Annual Premium
- For RCBAP – include number of units and RCV of building

Source: NFIP Flood Manual, page GR 8




Introduction to Lender Compliance

Land Not Insurable

P.27

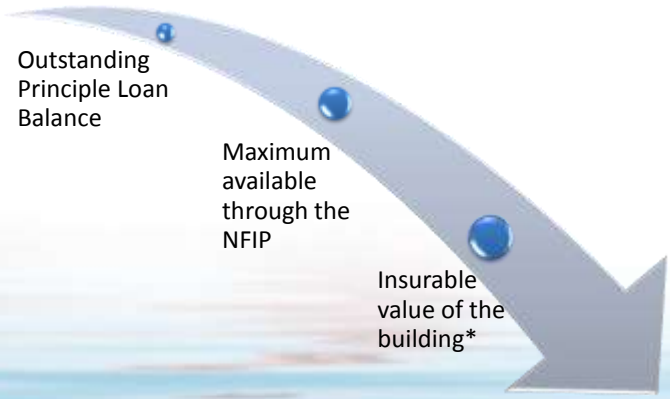


54

 **Introduction to Lender Compliance**

How much coverage?
 Lesser of the following:

P.27



Outstanding Principle Loan Balance

Maximum available through the NFIP

Insurable value of the building*

*Federal Register (Oct 2011)- Interagency Q & As Regarding Flood Insurance
<http://www.gpo.gov/fdsys/pkg/FR-2011-10-17/pdf/2011-26749.pdf>

55

 **Introduction to Lender Compliance**

Land Loan Only

P.29

- No building or improved real property- No requirement
- Subsequent development
 - Real Property of nominal value
 - Exclude building as part of the security to avoid requirement

56



Introduction to Lender Compliance

P.29

Low-Value Building on High-Value Land

- Value of land alone sufficient to secure the loan
- If the land has a building on it, lender must require insurance
- Cannot insure in excess of the value of the insurable building



57



Introduction to Lender Compliance

P.30

Buildings in Course of Construction**What are the Guidelines?**

- If structure is or will be built in an SFHA
- Flood Insurance MAY be purchased
 - Option 1: At time loan is made
 - Option 2: When actual construction begins



58



Introduction to Lender Compliance

Buildings in the course of construction (continued)

P.30

- Can be insured before construction begins
- Elevation certificate is based on construction drawings (blueprints)
 - Once the lowest floor for rating is in place, a new elevation certificate must be obtained



59



Introduction to Lender Compliance

What about Manufactured Homes?

P.31

- Are or will be located in a SFHA
- Placement of Manufactured Home is unknown
 - Borrower notice requirements do not apply
- Upon placement
 - Determination must be made
 - Borrower must then be notified
 - If in a SFHA, flood insurance must be required



60



Introduction to Lender Compliance

P.31

Personal Property / Contents

- Contents is not required unless in addition to building, contents secures the loan
- Residential mortgages – contents not required
- Commercial Inventory – only if building is in SFHA and building is used as security
- Weigh your risk exposures



61



Introduction to Lender Compliance

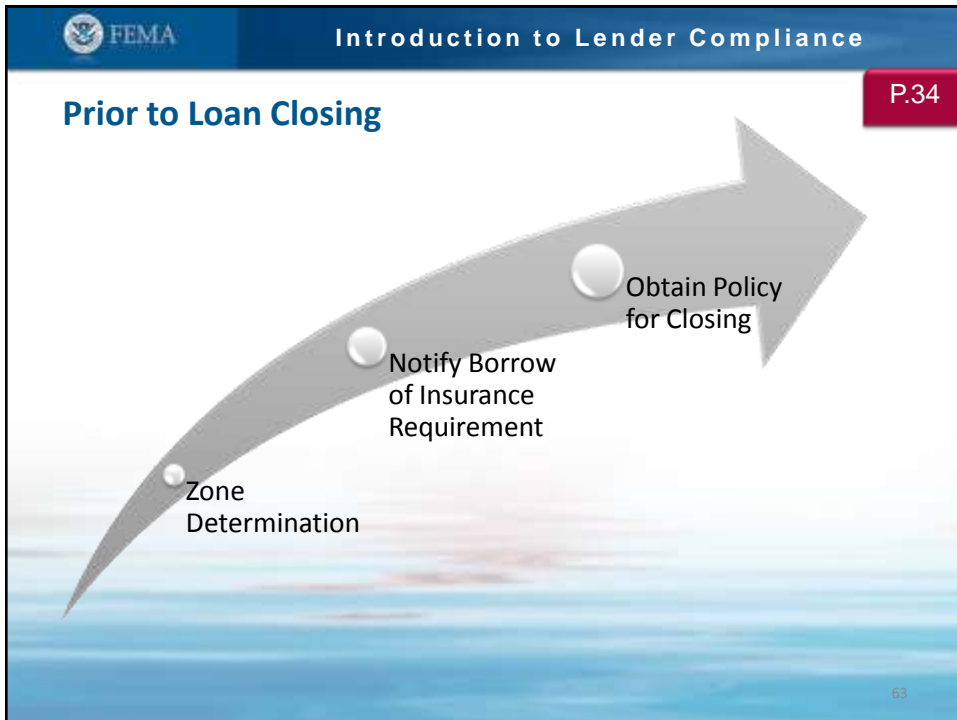
P.32


Home Equity and Second Mortgages

- Required regardless of lien priority
- Negligence by Primary Lienholder requires Secondary Lienholder to obtain ENTIRE outstanding loan balance.



62



 **Introduction to Lender Compliance**

Notice Requirements P.34

- When a bank makes, increases, extends, or renews a loan secured by a building or mobile home located or to be located in a special flood hazard area...
 - The bank shall mail or deliver a written notice to the borrower and servicer in all cases whether or not flood insurance is available under the Act for the collateral securing the loan.
 - Notice to borrower cannot be re-used.
 - Notice must be provided a “reasonable” time prior to closing.
 - Reasonable is generally regarded as 10 days

64



Introduction to Lender Compliance

Notice Requirements

Note from Interagency Q&A Preamble:

What constitutes reasonable notice will necessarily vary according to the circumstances of particular transactions. Regulated lending institutions should bear in mind, however, that a borrower should receive notice timely enough to ensure that:

1. the borrower has the opportunity to become aware of his/her responsibilities under the NFIP
2. the borrower can purchase flood insurance before completion of the loan transaction.

65



Introduction to Lender Compliance

Mandatory Purchase Guidelines

New Addition to the 2007 Edition

pp.4-1
& 4-5

Created two Sample Forms of Notice of SFHAs and availability of Federal Disaster Assistance in Appendix 4.

- Loan in a non-participating community
- Loan in a participating community



66



Introduction to Lender Compliance

Standard Flood Hazard Determination Form (SFHDF)

P.36-38

- Not a substitute for the borrower notification form
- Providing copy to borrower is encouraged to reduce zone discrepancies
- Electronic form is acceptable

67



Introduction to Lender Compliance

Can the SFHDF be reused?

P.37

- May re-use when increasing, extending, renewing or purchasing a loan
- Cannot be reused when making a new loan
- Exceptions: Refinancing or assumption by same lender who obtained original determination and multiple loans to the same borrower only if:
 - It is less than 7 years old
 - No new or revised maps have been issued since

68



Introduction to Lender Compliance

P.38

Multiple buildings

- Separate determinations for multiple buildings?
- One policy per building
- Are all buildings covered with flood insurance?
 - Pool houses
 - Barns
 - Storage buildings, etc.



69



Introduction to Lender Compliance

P.38

Waiting Period and Exceptions

Also see Appendix 6

- 30-days*
- 1-days
- 0 days



General Rule: Use map in effect at time of application and presentment of payment

70



Introduction to Lender Compliance

P.39

Escrow Requirements

- If escrowing taxes, insurance premiums or any other fees, then escrow is required for flood insurance
- Escrow exclusions:
 - Voluntary escrow
 - Lender termination of an escrow account

71

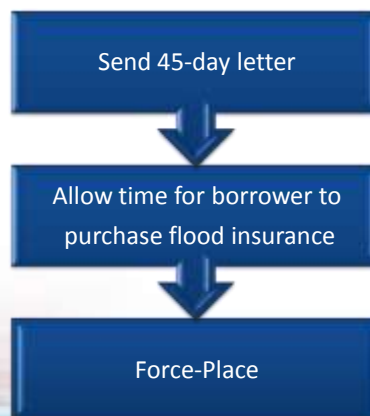


Introduction to Lender Compliance


P.40

When to force-place?

- Lender determines **at any time** during the life of the loan that property securing the loan is located in SFHA;
- Flood insurance is available;
- Flood insurance is inadequate or does not exist; and
- After required noticed, borrower fails to purchase appropriate amount of coverage.



72

 **FEMA**

Introduction to Lender Compliance


P.42

Exceptions

- State-owned property
- Small loan
 - Original loan balance \$5,000 or less, AND
 - Within 1 year or less




73

 **FEMA**

Introduction to Lender Compliance

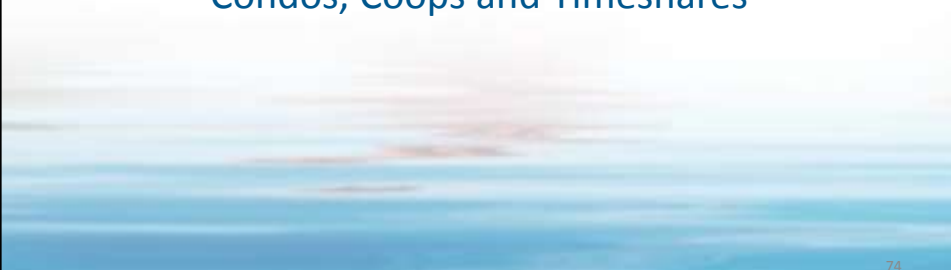
P.45



**NATIONAL FLOOD
INSURANCE PROGRAM**

Section D

Condos, Coops and Timeshares



74


 **Introduction to Lender Compliance**

Condominiums P.45-50


- Condominium Associations
- Residential Condominium Building Association Policy
 - Evidence of compliance
 - Coverage
 - Coinsurance Provision



75

 **Introduction to Lender Compliance**

Condos and Coverage Forms P.45-50



76



Introduction to Lender Compliance

P.45

Residential Condominium Building Association Policy (RCBAP)



- Insures a residential condominium building owned by a condominium association.
- If insured to at least 80% of its replacement cost value at the time of loss or max limit there is no coinsurance penalty.
- RCBAP automatically provides Replacement Cost (RC) loss settlement for the building elements.

77



Introduction to Lender Compliance

P.47

RCBAP

Maximum Amount of Insurance



- The maximum available building coverage is the replacement cost value of the building and its supporting structure or up to \$250,000 per unit times the number of units, whichever is less.

78



Introduction to Lender Compliance

P.45

Residential Condominium Building Association Policy (RCBAP)



- Insures a residential condominium building owned by a condominium association.
- If insured to at least 80% of its replacement cost value at the time of loss or max limit there is no coinsurance penalty.
- RCBAP automatically provides Replacement Cost (RC) loss settlement for the building elements.

79



Introduction to Lender Compliance

P.46

RCBAP

Revisions to RCBAP Documentation as of 10/01/07

- Number of units in structure
- Statement of Replacement Cost
- Dec page evidence of compliance

**OTHER RESIDENTIAL
TWO FLOORS
NO BASEMENT
LOW RISE CONDOMINIUM
8 UNITS
REPLACEMENT COST: \$ 939,000**

FLOOD RESIDENTIAL CONDO-BUILDING ASSOCIATION POLICY DECLARATION - GENERAL	
Named insured (building address)	Policy Period: 10/01/07 to 10/01/08 Policy Term: 2007/0000 INSURANCE CO. INC. CAMBRIDGE, MA 02142 Agent Phone: 617-111-1111
Policy: INSURED	
The building covered by this policy is located at the above mailing address unless otherwise stated below.	
STREET:	
CITY:	
STATE:	
ZIP:	
PROPERTY DESCRIPTION	Other: Other
STREET ADDRESS	
CITY	
STATE	
ZIP	
REPLACEMENT COST: \$ 939,000	
LOCATION INFORMATION	
Community Name:	TOWNSHIP No: 2007/0000
Status: REGULAR CDS Class:	FORM Type: AE Excludes Difference: 1

80



Introduction to Lender Compliance

RCBAP

P. 47-48

- Clarifies co-insurance penalties and loss assessments.

RCBAP Loss Settlement Formula

$$\frac{\$6,000,000 \text{ (ins. amt.)} \times \$6,000,000 \text{ (loss)}}{\$10,000,000 \text{ (80\% of RCV at time of loss)}} = \$3,600,000$$

Example of RCBAP Coinsurance Penalty

Building RCV at time of loss	\$12,500,000
80% of RCV at time of loss	10,000,000
Actual amount of insurance carried	6,000,000
Amount of loss	6,000,000
Loss settlement (before deductible)	3,600,000

Example of Adequate Amount of Insurance, Avoiding RCBAP Coinsurance Penalty

Building RCV at policy purchase	\$11,000,000
80% of RCV at policy purchase	8,800,000
Amt. insurance purchased (RCV)	11,000,000
Building RCV at time of loss	12,500,000
80% of RCV at time of loss	10,000,000
Amount of loss	6,000,000
Loss settlement (before deductible)	6,000,000

81



Introduction to Lender Compliance

Dwelling Policy Form

Covers the Residential Unit Owner



- Insures a single family dwelling unit in a condominium building or a non-condominium 1-4 family dwelling.
- A condominium unit in a townhouse, rowhouse, high-rise or low-rise building is considered to be a single family dwelling.
- Maximum limits - \$250,000 building & \$100,000 contents.

82



Introduction to Lender Compliance

General Property Form

Covers Non-Residential Condo Associations



- Occupied less than 75% residential and not eligible for RCBAP.
- Maximum limit of \$500,000 per building.
- The General Property Form provides Actual Cash Value coverage that includes a deduction for depreciation and Replacement Cost coverage is not available.

83



Introduction to Lender Compliance

Coops and Timeshares

P.50

• Cooperatives

- Ownership is not shared
- Owner purchases General Property Policy

• Timeshares


- Fee or real-estate ownership
 - Similar to condominium
- Non-fee interest, such as right-to-use
 - Building owner can purchase a flood policy through a General Property Policy form

84

 **FEMA**

Introduction to Lender Compliance

P.53-60



NATIONAL FLOOD
INSURANCE PROGRAM

Section E

Key Provisions

85

 **FEMA**

Introduction to Lender Compliance

P.53-55

Tripwires

- **Loan Activity**
 - Remember M-I-R-E
- **Loan Transfer or Purchase**
 - Not considered a New Loan
 - Mandatory Purchase Requirement does not apply
 - GSEs have set their own rules
- **Portfolio Review**
 - Encouraged but not required



86



Introduction to Lender Compliance

P.57-58

Private Flood Insurance

- Sometimes an NFIP policy is not available for all risks
- In lieu of an NFIP policy, six (6) FEMA criteria should be met:
 1. Insurer must meet state department of insurance requirements
 2. Surplus Lines insurer must be recognized by state department of insurance
 3. Insurer must give 45-Day Cancellation/Non-Renewal Notice
 4. Must be at least as broad as the NFIP policy
 5. Must contain similar NFIP mortgage interest clause
 6. Provide the same legal recourse as NFIP if claim is denied

87



Introduction to Lender Compliance

P.58-59

Regulatory Overview

- Regulatory Examinations
 - Review an institution's practices dealing with flood insurance
 - Proof of the Notice to Borrower form
 - Observe timing requirements of notices
 - Verify if the proper amount of coverage
 - Check map change procedures
 - Confirm force placement methods



88



Introduction to Lender Compliance

P.59-60

Regulatory Overview (cont'd)

•Regulatory Penalties

- Failure to:
 - Place Insurance
 - Escrow flood insurance premium
 - Provide notice requirements
 - Force place insurance
- Looking for a “pattern or practice of committing violations”



89



Introduction to Lender Compliance

Lender Training

www.nfipiservice.com/training
<http://fema.webex.com>


Melanie Graham

melanie@h2opartnersusa.com

Dorothy Martinez

dorothy@h2opartnersusa.com

Rich Slevin

rich@h2opartnersusa.com

Rich Waalkes

rwaalkes@h2opartnersusa.com

Sonja Wood

sonja@h2opartnersusa.com

Joy Johnson

jjohnson@sumtotalsystems.com

90

